



FAQ: Charitable Giving Provisions in the OBBBA

Frequently Asked Questions

1. Which provisions in the OBBBA will directly affect the charitable tax deduction?

The One Big, Beautiful Bill Act includes five provisions that directly affect the charitable deduction:

- *A new, permanent charitable deduction for non-itemizers*
- *A new 0.5% of Adjusted Gross Income (AGI) floor on itemized charitable donations*
- *A new 35% cap on the value of all itemized deductions, including the charitable deduction, for taxpayers in the 37% tax bracket*
- *A new 1% floor on corporate charitable contributions*
- *Permanent extension of the 60% of AGI limitation on cash gifts that was temporarily enacted in the 2017 Tax Cuts and Jobs Act.*

2. When do the provisions take effect?

The five provisions that directly affect the charitable deduction take effect in the 2026 tax year and beyond. The increased excise tax on certain private colleges and universities also takes effect in 2026.

3. Will the new provisions affect giving through donor-advised funds?

While there are no provisions that directly address donor-advised funds (DAFs), the introduction of the new 0.5% of AGI floor on itemized charitable contributions will likely encourage many donors to bundle their gifts so they can exceed the limitations in a particular tax year. This will be particularly true in calendar year 2025 as donors seek to make big gifts to DAFs before the new limitations take effect.

Note that non-itemizing taxpayers will not be able to deduct cash gifts to DAFs – the new charitable deduction for non-itemizers excludes gifts to DAFs, supporting organizations, and private foundations.

4. What giving strategies could donors be considering in light of these changes?

- Front-loading gifts in 2025 to take advantage of current deduction rules, since new limits and thresholds will apply starting in 2026.
- Bundling donations across years into a single year to exceed the new 0.5% of adjusted gross income (AGI) floor, making more contributions deductible.
- Evaluating options such as donating appreciated securities or retirement assets to optimize philanthropic goals and tax outcomes.
- DAFs are excluded from the non-itemizer deduction. However, they may be considered a valuable tool for itemizers, especially for bundling multiple years of giving into one tax year to exceed the 0.5% AGI floor.

Charitable Deduction for Non-Itemizers

1. How does the charitable deduction for non-itemizers enacted in OBBBA differ from the temporary provision that was in effect during the pandemic?

Yes, in several ways. First, the new provision will allow non-itemizing taxpayers to deduct up to \$1,000 annually in cash gifts. (\$2,000 annually for joint filers). This is much more generous than the temporary deduction enacted in 2020 and 2021, which only allowed non-itemizing taxpayers to deduct up to \$300 annually in cash gifts (\$600 for joint filers). Second, the new provision is permanent beginning in 2026. The temporary provision enacted in 2020

and 2021 expired at the end of 2021. This permanence will help schools, colleges, and universities promote the new incentive without having to worry about whether the provision will expire.

2. Does the charitable deduction for non-itemizers included in the One Big Beautiful Bill Act only apply to cash donations?

Yes, non-itemizing taxpayers will only be able to deduct cash gifts under the new provision. Non-cash gifts made by non-itemizers will not be deductible.

3. When does the charitable deduction for non-itemizers expire? And when does it take effect?

The new charitable deduction for non-itemizers is permanent so it does not have an expiration date. The provision takes effect in 2026 so non-itemizing taxpayers can begin deducting their charitable gifts when they file their 2026 tax returns.

4. Can a non-itemizing taxpayer deduct a donation to a donor-advised fund using this provision?

No. Only cash gifts to qualifying charities are deductible under the new provision. The OBBBA does not allow non-itemizing taxpayers to deduct gifts to donor-advised funds, supporting organizations, or private foundations.

5. Does the 0.5% AGI Floor apply to donations from non-itemizing taxpayers?

No. The 0.5% of AGI floor only applies to the donations of itemizing taxpayers. Non-itemizing taxpayers will be eligible to deduct a full \$1,000 (\$2,000 for joint filers) in cash gifts to eligible charities including schools, colleges, and universities.

New Limitations on Itemized Giving

1. If an itemizing taxpayer makes charitable donations that exceed the 0.5% of Adjusted Gross Income (AGI) floor, can he/she deduct their entire gift?

No. The itemizing taxpayer will only be able to deduct the amount of their donation that exceeds 0.5% of their AGI.

2. Does the 35% cap on the value of itemized deductions apply to all donors who itemize?

No. The 35% cap only applies to high-income taxpayers who are in the 37% tax bracket.

3. Does the floor and cap apply to non-cash gifts?

Yes. The 0.5% AGI floor and the 35% cap apply to all itemized donations, including non-cash gifts.

4. Will the presence of the floor encourage donors to bundle or bunch their contributions?

Yes- many donors who itemize their tax returns will likely decide to bundle or bunch several years' worth of charitable donations in a single year so as to exceed the floor and maximize their tax benefit. Donors who typically give around 0.5% of their AGI or below annually may particularly look to bundle their contributions.

5. How does the 35% cap increase the cost of giving for high-income donors?

Currently, high-income taxpayers in the 37% tax bracket can deduct the full value of their charitable contribution (subject to income limitations). Thus, for every \$1 such a taxpayer donates, he or she saves 37 cents. Starting in 2026, this same high-income donor will be subject to the cap, which means he or she will only save 35 cents for every dollar donated. The result is the cost of giving will increase as these donors give more to charitable organizations.

Floor on Corporate Charitable Contributions

1. Does the new 1% floor on corporate charitable contributions apply to giving from all companies?

No, the new 1% floor only affects C corporations that file under Subchapter C of the Internal Revenue Code. Sole proprietorships, partnerships, and other companies are not subject to the floor because they are pass-through entities.

2. Is the new 1% floor on the only limitation that corporate donors face?

No. Currently C corporations can only deduct up to 10% of their corporate taxable income annually. Thus, starting in 2026, a C corporation will only be able to deduct contributions above 1% and below 10% of their corporate taxable income.

3. If a corporation gives above the 1% floor, can they deduct their entire donation?

No. A corporation that gives above the 1% floor can only deduct the amount of the donation above the floor and below the 10% cap.

Increased Excise Taxes on Certain Private College and University Endowments

1. Does the excise tax on college and university endowments apply to all colleges and universities?

No. The excise tax only applies to private colleges and universities enrolling more than 3,000 tuition-paying students with endowment values above \$500,000 per student. All private colleges and universities with enrollments below 3,000 or with endowment values below \$500,000 per student are not subject to the tax. Public colleges and universities are not subject to the endowment tax.

2. Does the excise tax on endowments apply to private K-12 schools?

No. The excise tax on endowments only applies to certain private colleges and universities. Private K-12 schools are not subject to the tax.

3. How does the bill change the current excise tax on private college and university endowments?

The Act increases the current excise tax on net investment income for certain private colleges and universities. The tax will apply to private college and universities with the following endowment values:

- Less than \$500,000 per student = no tax.
- \$500,000 per student not in excess of \$750,000 per student – 1.4% tax.
- \$750,000 per student not in excess of \$2,000,000 per student – 4% tax.
- In excess of \$2,000,000 per student – 8% tax.

In addition to the criteria above, the tax only applies to private colleges and universities that:

- Enroll more than 3,000 tuition-paying students.
- Enroll more than 50% of tuition-paying students located in the United States.

4. Did the OBBBA increase the number of colleges and universities subject to the endowment tax?

No. The Act actually decreases the number of private colleges and universities subject to the tax, mainly due to a new requirement that states that the private college or university must enroll more than 3,000 students (up from 500 students in current law). Lawmakers also did not lower the endowment value per student ration nor expand the tax to public colleges and universities.

5. Are colleges and universities with a religious affiliation exempt from the endowment tax?

No. Private colleges and universities with a religious affiliation must pay the endowment tax if they meet the criteria listed above. House and Senate Republicans did attempt to exempt certain religious institutions from the tax but ultimately removed the exemption for procedural reasons.